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SUBJECT: CAMEROON'S REQUEST FOR IMF AID OFFERS WINDOW FOR USG GOALS

Ref A. Korte email to Post 06/29/2009
Ref B. Yaounde 518
Ref C. Yaounde 433
Ref D. Yaounde 291

¶1. (SBU) Summary. Cameroon's request for \$143 million in ESF-RAC provides an opportunity to gain traction in our continued efforts to foster better governance and economic policy in Cameroon. The Embassy recommends that the U.S. Executive Director register USG concerns regarding persistent governance problems, but such a gesture will be most effective if it is preceded and followed up by communication from Washington, indicating the need for concrete improvement on several fronts. It would not serve USG interests to outright oppose Cameroon's ESF-RAC request because the Government of Cameroon (GRC) officials continue to be receptive, if not sufficiently responsive, to USG messages, and in light of the position taken by the U.S. Executive Director on similar requests from other countries, including some with governance challenges rivaling or surpassing those in Cameroon. End summary.

Governance Problems Are Real

¶2. (SBU) As the draft IMF Staff Report for 2009 Article IV Consultations (ref A) acknowledges, the Government of Cameroon GRC has made some improvements in transparency and governance of public resources, but those reforms have been insufficient to resolve Cameroon's deep governance challenges. Budget execution remains woeful; the extent of the problem is difficult to determine because accurate figures for actual expenditures are impossible to obtain. According to Embassy contacts working in the sector, the government's management is so poor that even the Minister of Finance would be hard-pressed to determine how much the GRC has actually spent on priority sectors like health and education. As the Ambassador has noted in recent speeches covered extensively by the Cameroonian media, the Open Budget Institute assessed Cameroon a score of 5 (out of 100) in its 2008 evaluation of transparency in public finances. What information we do have about public expenditures indicates a high level of waste and corruption. One of the GRC's most senior and experienced officials privately estimated that less than 30% of the budget actually arrives at its intended purpose.

Request for Assistance is Sincere

¶3. (SBU) Despite these persistent problems, the GRC's request for urgent assistance is sincere. As noted in reftels, Cameroon's economy has been hard hit by declining demand for its major imports, including in high employment sectors like timber and rubber. The Treasury's resources have dried up as a result, and the drop in oil revenues, which account for roughly a third of government revenues, has been particularly problematic. GRC officials have already told us that they have noticed growing difficulty obtaining resources for their work, including in priority sectors.

¶4. (SBU) Having been stunned by the ferocity of public protests in February 2008, caused at least in part by the population's growing socio-economic woes, many GRC officials were already focused on the need to improve governance and economic management before the economic crisis hit Cameroon. We believe that many Cameroonian officials, from President Biya on down, recognize that governance issues lie at the heart of Cameroon's challenges. These officials are receptive in one degree or another to the USG's calls for improved governance, and our goal should be to strengthen their efforts and to avoid undercutting them in Cameroon's sometimes cut-throat domestic political disputes. To Post's knowledge, the U.S. has not opposed ESF requests from other countries, including some where governance problems are as bad or worse than they are in Cameroon. We fear that our message at the IMF could backfire if it can be misconstrued as a "surprise" or unfair attack on Cameroon.

Comment: Delivering the Message

¶5. (SBU) We should not shy away from this opportunity to press our point on governance issues, which are at the heart of a broad range of U.S.G. interests in Cameroon, from democratization to regional security. Instead, Post proposes that the U.S. Executive Director's message be accompanied by parallel communications from U.S. officials to counterparts in Cameroon, both before and after the U.S. Executive Director's intervention. The Ambassador will request a meeting with the new Prime Minister as quickly as possible to convey USG support for reform efforts and concerns that those reforms need to be strengthened and accelerated. Post would welcome a subsequent communication-if possible, by letter-from a Treasury official, reinforcing our desire to see Cameroon ramp up its reform efforts. Finally, Post hopes Washington officials at the appropriate level will be willing to deliver a similar message to senior Cameroonian officials in early July. End comment.